

AMENDED IN SENATE JANUARY 6, 2014

AMENDED IN SENATE APRIL 23, 2013

SENATE BILL

No. 593

Introduced by Senator Lieu

February 22, 2013

An act to add and repeal Title 15.5 (commencing with Section 97000) of the Government Code, relating to social impact partnerships.

LEGISLATIVE COUNSEL'S DIGEST

SB 593, as amended, Lieu. Social impact partnerships: pilot ~~project~~. *program*.

Existing law establishes the Office of Planning and Research and sets forth its powers and duties as the comprehensive state planning agency.

This bill would require the Office of Planning and Research to establish a pilot program to study and test the usefulness of social impact partnerships, as specified, as a mechanism for social programs operated and administered by nongovernmental organizations pursuant to a proposed contract entered into with a state agency. The bill would require the office to issue a request for applications to receive proposals for the pilot program from non-governmental organizations to address state goals in the areas of reduction of inmate recidivism, improving health care, and improving outcomes for children in the foster care system and those exiting out of the system. The bill would require the office to report its recommendations to the Governor and the Legislature on which social programs to authorize by September 15, 2014. *conduct the Social Impact Partnership Pilot Program. The bill would require the director of the Office of Planning and Research to identify and submit at least 3 proposed social impact partnerships to the Legislature for consideration with the May Revision of the Governor's Budget each*

year beginning in 2015. The bill would create the Social Innovation Financing Trust Fund from which funds appropriated by the Legislature would be spent on contracts entered into by the office with approved applicants, as specified. The bill would authorize the office to adopt regulations to implement these provisions. The bill would also require the director to report annually to the Governor and Legislature on the status of ongoing social impact partnerships and the Social Innovation Financing Trust Fund, as specified. This bill would repeal these provisions on January 1, 2020.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Title 15.5 (commencing with Section 97000) is added to the Government Code, to read:

TITLE 15.5. SOCIAL IMPACT PARTNERSHIPS PILOT PROGRAM

CHAPTER 1. GENERAL

97000. (a) For purposes of this title, “social impact ~~partnerships,” partnership,”~~ also referred to as ~~“social impact bonds,”~~ means a financing mechanism for social programs operated and administered by nongovernmental organizations pursuant to a contract entered into with a state agency. Under the contract, the nongovernmental organization and the state agency shall agree upon specific program goals with quantifiable target results and a set timeframe to achieve those targets. Under the contract, the nongovernmental organization shall pay for the entire cost of providing the agreed upon service. If the nongovernmental organization providing the service meets the agreed upon quantifiable results under the contract, the state agency shall, upon appropriation by the Legislature, reimburse the nongovernmental organization for the cost of the service along with an agreed upon rate of financial return. *a “pay for success contract,” means a contract for services provided to address a defined demographic group’s particular needs that are traditionally addressed through state programs and funding therefor, in order to improve outcomes*

1 *and lower costs because payment is made only after measured*
2 *results are achieved.*

3 *(b) “Director” means the director of the Office of Planning and*
4 *Research established pursuant to Section 65037.*

5 ~~*(b) “Office” means the Office of Planning and Research*~~
6 ~~*established pursuant to Section 65037.*~~

7 97001. ~~*(a) The office shall, in addition to its powers and duties*~~
8 ~~*set forth in Article 4 (commencing with Section 65040) of Chapter*~~
9 ~~*1.5 of Division 1 of Title 7, Office of Planning and Research shall*~~
10 ~~*conduct the Social Impact Partnerships Pilot Program, which is*~~
11 ~~*hereby established to study and test the usefulness of social impact*~~
12 ~~*partnerships as a mechanism to help state agencies meet their*~~
13 ~~*statutory goals in an efficient and cost-effective manner. Program.*~~

14 *(b) (1) The director shall identify and submit at least three*
15 *proposed social impact partnerships to the Chair of the Assembly*
16 *and Senate Budget Committees and the Chair of the relevant*
17 *subcommittee for consideration with the May Revision of the*
18 *Governor’s Budget each year beginning in 2015.*

19 *(2) Prior to the submission of any proposed social impact*
20 *partnerships, the director shall consult with the appropriate state*
21 *agency or department responsible for administering any affected*
22 *state program.*

23 ~~*(b) The office shall issue a request for applications to receive*~~
24 ~~*proposals from nongovernmental organizations to address the state*~~
25 ~~*goals under subdivision (b) of Section 97002.*~~

26 ~~*(c) The request for applications shall require proposals to include*~~
27 ~~*all of the following:*~~

28 ~~*(1)*~~

29 *(3) At a minimum, each submission shall include all of the*
30 *following:*

31 *(A) A description of how the proposed social program will meet*
32 *the state goals under subdivision (b) of Section 97002. program.*

33 ~~*(2)*~~

34 *(B) A description of the organization’s experience in providing*
35 *the proposed social program.*

36 ~~*(3)*~~

37 *(C) A description of the financial stability of the organization.*

38 ~~*(4)*~~

39 *(D) An identification of each component of the social program*
40 *to be provided.*

1 ~~(5)~~

2 (E) A description of how the social program will be provided.

3 ~~(6)~~

4 (F) A description of the recruitment or selection process, or
5 both, for participants in the social program.

6 ~~(7)~~

7 (G) The proposed quantifiable results upon which success of
8 the social program will be measured.

9 ~~(8)~~

10 (H) An itemization of all expenses proposed to be reimbursed
11 under the contract.

12 ~~97002. (a) The pilot program shall consist of contracts with~~
13 ~~nongovernmental organizations to accomplish the state goals under~~
14 ~~subdivision (b):~~

15 ~~(b) In order to adequately test and fully evaluate the social~~
16 ~~impact partnership model, the pilot program shall be designed to~~
17 ~~achieve three state goals, as follows:~~

18 ~~(1) Reduce recidivism rates for the incarcerated population of~~
19 ~~this state.~~

20 ~~(2) Improve health care. The focus of the pilot program is to~~
21 ~~further the triple aims of health care reform which includes~~
22 ~~improving health quality, reducing costs, and improving the patient~~
23 ~~experience. The social programs under this paragraph shall focus~~
24 ~~on low-income or underserved communities, or both. The social~~
25 ~~programs under this paragraph may include, but are not limited~~
26 ~~to, programs that reduce emergency room visits and~~
27 ~~hospitalizations, incentivize the use of primary care and~~
28 ~~preventative health services, and coordinate the care of patients~~
29 ~~across health care settings and providers.~~

30 ~~(3) Improve outcomes for children under the jurisdiction of the~~
31 ~~foster care system or those exiting out of the system. Those~~
32 ~~outcomes include, but are not limited to, improving the health and~~
33 ~~well-being of the children.~~

34 ~~97004. The pilot program shall be outcome oriented, and~~
35 ~~payment to the nongovernmental organizations under the contract~~
36 ~~shall be based on the successful completion of the terms of the~~
37 ~~contract. These terms shall be determined and approved by the~~
38 ~~office in coordination with the relevant state department or agency.~~

39 ~~97005. The office shall report its recommendations to the~~
40 ~~Governor and the Legislature by September 15, 2014, regarding~~

1 ~~which social programs to authorize. The recommendations shall~~
2 ~~include proposed contracts with specific nongovernmental~~
3 ~~organizations for specific social programs. The contracts shall also~~
4 ~~include metrics for determining the success of the social programs~~
5 ~~and the terms governing the proposed rate of financial return.~~

6 97002. (a) *Upon appropriation of sufficient funds by the*
7 *Legislature, the director shall enter into a contract with the*
8 *approved applicant.*

9 (b) *Each contract shall include all of the following:*

10 (1) *A requirement that the payment be conditioned on the*
11 *achievement of specific outcomes based upon defined performance*
12 *targets.*

13 (2) *An objective process by which an independent evaluator,*
14 *selected by the director, will determine whether the performance*
15 *targets have been achieved.*

16 (3) *A calculation of the amount and timing of payments that*
17 *would be earned by the service provider during each year of the*
18 *agreement if performance targets are achieved as determined by*
19 *the independent evaluator.*

20 (4) *A determination by the director that the contract will result*
21 *in significant performance improvements and budgetary savings*
22 *across impacted agencies or departments if the performance targets*
23 *are achieved.*

24 (c) *The director shall not enter into any contract that exceeds*
25 *the funds appropriated for it by the Legislature.*

26 97003. (a) *The Social Innovation Financing Trust Fund is*
27 *hereby created in the State Treasury. All funds appropriated by*
28 *the Legislature pursuant to Section 97002 shall be deposited into*
29 *the Social Innovation Financing Trust Fund.*

30 (b) *Social impact partnership contracts entered into by the office*
31 *with approved applicants shall be paid from the Social Innovation*
32 *Financing Trust Fund.*

33 97004. *The Office of Planning and Research may adopt*
34 *regulations to implement this title.*

35 97005. *The director shall report annually to the Governor and*
36 *Legislature on the status of each ongoing social impact*
37 *partnership, including, but not limited to, a description of the*
38 *desired outcome and an overview of the independent evaluator's*
39 *findings. The report shall also contain an accounting of the Social*
40 *Innovation Financing Trust Fund.*

1 97006. This title shall not create a statutory entitlement to
2 services or any contractual obligation on the part of the state. It is
3 the intent of the Legislature that a proposed contract under Section
4 ~~97005~~ 97001 is subject to legislative review and approval before
5 its execution, and that any appropriation only occur after the review
6 and approval.

7 97007. This title shall be repealed on January 1, 2020.

8
9 ~~CHAPTER 2. SOCIAL IMPACT PARTNERSHIP TO REDUCE~~
10 ~~RECIDIVISM~~

11
12 ~~97020. (a) The office shall, in consultation with the Department~~
13 ~~of Corrections and Rehabilitation, issue a request for applications~~
14 ~~for two social impact partnerships to reduce recidivism at the state~~
15 ~~or county incarceration facilities, or both.~~

16 ~~(b) The office shall consult with the Department of Corrections~~
17 ~~and Rehabilitation to review received applications and the proposed~~
18 ~~contracts negotiated with the selected applicants.~~

19
20 ~~CHAPTER 3. SOCIAL IMPACT PARTNERSHIP TO IMPROVE HEALTH~~
21 ~~CARE~~

22
23 ~~97030. (a) The office shall, in consultation with the California~~
24 ~~Health and Human Services Agency, issue a request for~~
25 ~~applications for two social impact partnerships to improve health~~
26 ~~care.~~

27 ~~(b) The office shall consult with the California Health and~~
28 ~~Human Services Agency to review received applications and the~~
29 ~~proposed contracts negotiated with the selected applicants.~~

30
31 ~~CHAPTER 4. SOCIAL IMPACT PARTNERSHIP TO IMPROVE~~
32 ~~OUTCOMES FOR FOSTER CHILDREN AND THOSE EXITING OUT OF~~
33 ~~THE FOSTER CARE SYSTEM~~

34
35 ~~97040. (a) The office shall, in consultation with the California~~
36 ~~Health and Human Services Agency, issue a request for application~~
37 ~~for two social impact partnerships to improve outcomes for foster~~
38 ~~children and those exiting out of the system including, but not~~
39 ~~limited to, their health care and well-being.~~

1 ~~(b) The office shall consult with the California Health and~~
2 ~~Human Services Agency to review received applications and the~~
3 ~~proposed contracts negotiated with the selected applicants.~~

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